

HIGHER ACHIEVEMENT PROGRAM, INC.
(a nonprofit organization)

FINANCIAL STATEMENTS

Year Ended December 31, 2024
(with Summarized Comparative Information
for the year ended December 31, 2023)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Higher Achievement Program, Inc.
Washington, DC

Opinion

We have audited the accompanying financial statements of Higher Achievement Program, Inc. ("Higher Achievement"), which comprise the statement of financial position as of August 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Higher Achievement as of August 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Higher Achievement and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Higher Achievement's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Higher Achievement's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Higher Achievement's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Higher Achievement's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 24, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Renner and Company, CPA, P.C.

Alexandria, Virginia

July 18, 2025

HIGHER ACHIEVEMENT PROGRAM, INC.**STATEMENT OF FINANCIAL POSITION****August 31, 2024 (with Comparative Information as of August 31, 2023)****ASSETS**

| | 2024 | 2023 |
|---|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 2,118,341 | \$ 2,382,902 |
| Grants receivable, net of allowance for doubtful accounts | 982,377 | 451,743 |
| Contributions receivable, net | 802,020 | 379,159 |
| Prepaid expense | 34,351 | 26,839 |
| TOTAL CURRENT ASSETS | 3,937,089 | 3,240,643 |
| PROPERTY AND EQUIPMENT , at cost, net | 2,102,524 | 2,176,477 |
| OTHER ASSETS | | |
| Right-of-use asset - operating | 171,785 | 139,399 |
| Contributions receivable, net of current, net of discount | 346,200 | 323,957 |
| Investments | 1,781,651 | 1,494,004 |
| Security deposit | 2,878 | 2,878 |
| TOTAL OTHER ASSETS | 2,302,514 | 1,960,238 |
| TOTAL ASSETS | \$ 8,342,127 | \$ 7,377,358 |

LIABILITIES AND NET ASSETS

| | | |
|---|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 140,444 | \$ 266,702 |
| Accrued expenses | 385,927 | 326,835 |
| Deferred revenue | 175,255 | 117,340 |
| Operating lease liability | 109,590 | 58,538 |
| Note payable | 19,507 | 18,720 |
| TOTAL CURRENT LIABILITIES | 830,723 | 788,135 |
| LONG-TERM LIABILITIES | | |
| Operating lease liability, net of current portion | 63,968 | 82,438 |
| Note payable, net of current portion | 557,085 | 574,094 |
| TOTAL LONG-TERM LIABILITIES | 621,053 | 656,532 |
| TOTAL LIABILITIES | 1,451,776 | 1,444,667 |
| NET ASSETS | | |
| With donor restriction | 2,393,163 | 1,008,992 |
| Without donor restriction | 2,948,654 | 3,286,765 |
| Without donor restriction - board designated | 1,548,534 | 1,636,934 |
| TOTAL NET ASSETS | 6,890,351 | 5,932,691 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 8,342,127 | \$ 7,377,358 |

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.**STATEMENT OF ACTIVITIES****Year Ended August 31, 2024 (with Summarized Comparative Information for the year ended August 31, 2023)**

| | 2024 | | | 2023 |
|---|------------------------------|---------------------------|---------------------|---------------------|
| | Without Donor Restriction | With Donor Restriction | Total | Total |
| REVENUE AND SUPPORT | | | | |
| Grants and contributions, net of discount on long term pledges | \$ 450,248 | \$ 4,030,414 | \$ 4,480,662 | \$ 1,633,750 |
| Individual and corporate contributions | 1,402,637 | - | 1,402,637 | 1,241,763 |
| Governmental grants | 1,332,882 | - | 1,332,882 | 1,574,370 |
| In-kind donations | 280,284 | - | 280,284 | 279,175 |
| Investment income | 270,653 | - | 270,653 | 120,931 |
| Other income | 190,119 | - | 190,119 | 43,322 |
| Contract revenue | 212,750 | - | 212,750 | 105,000 |
| Net assets released from restrictions | 2,646,243 | (2,646,243) | - | - |
| TOTAL REVENUE AND SUPPORT | 6,785,816 | 1,384,171 | 8,169,987 | 4,998,311 |
| EXPENSES | | | | |
| Program | 4,638,224 | - | 4,638,224 | 4,504,439 |
| General and administrative | 1,258,543 | - | 1,258,543 | 1,838,785 |
| Fundraising | 1,315,560 | - | 1,315,560 | 1,144,925 |
| TOTAL EXPENSES | 7,212,327 | - | 7,212,327 | 7,488,149 |
| CHANGE IN NET ASSETS | (426,511) | 1,384,171 | 957,660 | (2,489,838) |
| NET ASSETS, beginning of year | 4,923,699 | 1,008,992 | 5,932,691 | 8,422,529 |
| NET ASSETS, end of year | \$ 4,497,188 | \$ 2,393,163 | \$ 6,890,351 | \$ 5,932,691 |

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2024 (with Summarized Comparative Information for the year ended August 31, 2023)

| | 2024 | | | | 2023 |
|-----------------------------------|---------------------|----------------------------|---------------------|---------------------|---------------------|
| | Program | General and Administrative | Fundraising | Total | Total |
| Payroll | \$ 2,853,358 | \$ 805,849 | \$ 877,555 | \$ 4,536,762 | \$ 4,616,753 |
| Fringe benefits and payroll taxes | 597,957 | 179,799 | 195,288 | 973,044 | 911,498 |
| In-kind consulting fees | 199,003 | - | - | 199,003 | 156,616 |
| Transportation | 154,518 | - | - | 154,518 | 140,253 |
| Occupancy | 121,963 | 18,511 | 13,005 | 153,479 | 67,162 |
| Information technology | 115,470 | 17,526 | 12,312 | 145,308 | 156,652 |
| Consulting fees | 108,185 | 1,707 | 17,818 | 127,710 | 356,340 |
| Special events | 34,547 | 87,326 | 240 | 122,113 | 109,857 |
| In-kind legal | - | - | 81,281 | 81,281 | 122,559 |
| Depreciation | - | 73,953 | - | 73,953 | 73,954 |
| Dues and subscriptions | 24,302 | 24,735 | 24,754 | 73,791 | 84,043 |
| Insurance | 53,527 | 8,124 | 5,707 | 67,358 | 58,911 |
| Field trips | 65,682 | - | - | 65,682 | 64,850 |
| Electives | 64,378 | - | - | 64,378 | 18,647 |
| Center security and maintenance | 40,504 | - | - | 40,504 | 1,380 |
| Payroll processing fees | 25,629 | 3,890 | 2,733 | 32,252 | 30,358 |
| Copying and printing | 21,049 | 4,086 | 3,832 | 28,967 | 27,510 |
| Scholar meals | 25,206 | - | - | 25,206 | 20,526 |
| Audit fees | - | 23,687 | - | 23,687 | 22,440 |
| Interest expense | - | - | 22,318 | 22,318 | 22,862 |
| Professional development | 9,729 | - | 10,748 | 20,477 | 18,231 |
| Educational supplies | 19,445 | - | - | 19,445 | 21,072 |
| Telephone | 4,184 | - | 14,418 | 18,602 | 26,157 |
| Incentives | 18,510 | - | - | 18,510 | 9,066 |
| Recognition | 10,266 | 1,232 | 5,713 | 17,211 | 19,884 |
| Bank service charges | 12,177 | 1,848 | 1,298 | 15,323 | 17,640 |
| Travel expense reimbursement | 10,286 | 2,408 | 2,540 | 15,234 | 19,901 |
| Training | 6,230 | 69 | 5,927 | 12,226 | 28,548 |
| College trips | 12,036 | - | - | 12,036 | 27,433 |
| Meeting and activity | 4,283 | 1,479 | 3,998 | 9,760 | 26,027 |
| Job posting | 100 | - | 6,329 | 6,429 | 10,389 |
| Parent activities | 5,823 | - | - | 5,823 | 1,562 |
| Office supplies | 4,345 | 178 | 1,199 | 5,722 | 13,204 |
| Licenses and fees | 3,659 | 555 | 390 | 4,604 | 6,059 |
| Mentor activities | 3,862 | - | - | 3,862 | 5,188 |
| Miscellaneous | 391 | - | 3,334 | 3,725 | 2,098 |
| Clearance services | 3,479 | - | - | 3,479 | 2,633 |
| Postage | 41 | 1,581 | 1,748 | 3,370 | 3,807 |
| Curriculum supplies | 2,928 | - | - | 2,928 | 310 |
| Tuition Reimbursement | - | - | 1,000 | 1,000 | - |
| Electronic equipment | 976 | - | - | 976 | 87,998 |
| Program meetings | 177 | - | - | 177 | 559 |
| Promotional materials | 19 | - | 75 | 94 | 1,090 |
| Cleaning, utilities and security | - | - | - | - | 74,024 |
| Translation services | - | - | - | - | 1,950 |
| Advertising and communications | - | - | - | - | 148 |
| TOTAL EXPENSES | \$ 4,638,224 | \$ 1,258,543 | \$ 1,315,560 | \$ 7,212,327 | \$ 7,488,149 |

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.**STATEMENT OF CASH FLOWS****Year Ended August 31, 2024 (with Comparative Information for the year ended August 31, 2023)**

| | <u>2024</u> | <u>2023</u> |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from operations | | |
| Government grants, fees, contributions received | \$ 6,689,068 | \$ 5,959,318 |
| Interest income | <u>72,974</u> | <u>107,799</u> |
| Total cash received from operations | <u>6,762,042</u> | <u>6,067,117</u> |
| Cash disbursed by operations | | |
| Payments to employees and suppliers | (6,908,885) | (6,884,465) |
| Interest paid | <u>(23,687)</u> | <u>(27,433)</u> |
| Total cash paid by operations | <u>(6,932,572)</u> | <u>(6,911,898)</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u>(170,530)</u> | <u>(844,781)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale of investments | 353,406 | 39,412 |
| Purchase of investments | <u>(431,215)</u> | <u>(109,674)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(77,809)</u> | <u>(70,262)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment on note payable | <u>(16,222)</u> | <u>(15,678)</u> |
| NET DECREASE IN CASH | (264,561) | (930,721) |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>2,382,902</u> | <u>3,313,623</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u><u>\$ 2,118,341</u></u> | <u><u>\$ 2,382,902</u></u> |
| NON-CASH INVESTING ACTIVITIES | | |
| Unrealized gain in fair value of investments | \$ (209,838) | \$ (18,449) |
| Increase in fair value of investments | 209,838 | 18,449 |
| Acquisition of operating right-of-use asset | 96,344 | - |
| Operating lease liability assumed | <u>(96,344)</u> | <u>-</u> |
| | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.**STATEMENT OF CASH FLOWS****Year Ended August 31, 2024 (with Comparative Information for the year ended August 31, 2023)****RECONCILIATION OF CHANGE IN NET ASSETS TO****NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

| | <u>2024</u> | <u>2023</u> |
|--|----------------------------|----------------------------|
| CHANGE IN NET ASSETS | <u>\$ 957,660</u> | <u>\$ (2,489,838)</u> |
| ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Depreciation | 73,953 | 73,954 |
| Realized and unrealized gains on investments | <u>(209,838)</u> | <u>(23,753)</u> |
| NET ADJUSTMENTS | <u>(135,885)</u> | <u>50,201</u> |
| CHANGES IN ASSETS AND LIABILITIES AFFECTING NET CASH FLOWS FROM OPERATING ACTIVITIES | | |
| ASSETS | | |
| Grants receivable, net of allowance for doubtful accounts | (530,634) | 1,133,159 |
| Pledges receivable, net of discount | (445,104) | 224,841 |
| Prepaid expense | (7,512) | 3,997 |
| Right-of-use asset | <u>(32,386)</u> | <u>(139,399)</u> |
| NET CHANGES IN ASSETS | <u>(1,015,636)</u> | <u>1,222,598</u> |
| LIABILITIES | | |
| Accounts payable | (126,258) | 152,800 |
| Accrued expenses | 59,092 | 64,748 |
| Deferred revenue | 57,915 | 13,734 |
| Operating lease liability | <u>32,582</u> | <u>140,976</u> |
| NET CHANGES IN LIABILITIES | <u>23,331</u> | <u>372,258</u> |
| NET CHANGES IN ASSETS AND LIABILITIES | <u>(992,305)</u> | <u>1,594,856</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u><u>\$ (170,530)</u></u> | <u><u>\$ (844,781)</u></u> |

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE

Organization

The Higher Achievement Program, Inc. (Higher Achievement) is a 501(c)(3) nonprofit organization incorporated in 1985 under the laws of the District of Columbia. In Baltimore, DC Metro, and Richmond, Higher Achievement steps up to support middle school scholars in systemically under-resourced communities with the tools and encouragement to reach their highest potential for academic performance and community leadership. Higher Achievement's programs are supported primarily through grants and contributions.

Program Descriptions

Higher Achievement delivers academic enrichment through a holistic approach grounded in social justice principles. Higher Achievement's afterschool program for 5th-8th grade scholars combines small-group, high-impact tutoring with social-emotional skill building, culminating in placement in college preparatory high schools.

Classes of Assets

In accordance with U.S. GAAP, Higher Achievement's net assets are classified into two categories: without donor restriction and with donor restriction. Net assets without donor restriction are available for the general operations of Higher Achievement or are designated by the Board for future use or a particular purpose. Net assets with donor restriction are subject to donor-imposed stipulations as to their use for specific programs conducted by Higher Achievement or are held in perpetuity.

Net Assets Without Donor Restriction

Higher Achievement includes operating net assets that are available for the general operations as net assets without donor restriction as well as Board-designated net assets set aside for future use or a particular purpose.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (CONTINUED)

Classes of Assets (Continued)

Net Assets With Donor Restriction (Continued)

Higher Achievement reports gifts of cash and other restricted support if they are received with donor stipulations that limit the use of donated assets as net assets with donor restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Investment gains and losses earned on donor restricted funds held by Higher Achievement are recorded as an increase or decrease in net assets with donor restriction.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Summarized Comparative Information

The financial statements include certain summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with Higher Achievement's financial statements for the year ended August 31, 2023, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash consists of checking accounts. Higher Achievement considers all highly liquid debt instruments with an initial maturity of 90 days or less and money market funds held with investment brokers to be cash equivalents.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (CONTINUED)

Grants Receivable

Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts and a discount on long-term grants receivable. Higher Achievement provides for losses on grants receivable using the allowance method. The allowance is based on the reserve method using management's judgment and Higher Achievement's approved policy. Higher Achievement utilizes an allowance method for amounts past due. A balance is considered past due 30 days after the invoice date. When all collection efforts have been exhausted, the receivable is written off against the related reserve. No allowance was recorded for the years ended August 31, 2024 and 2023, respectively.

Contributions Receivable

Contributions receivable are recognized as support in the period the contribution is made. Conditional contributions receivable are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions receivable are carried at the original amount promised less any estimates made for doubtful contributions based on a review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful contributions by regularly evaluating individual contributions and considering the prior history of the donor and proven collectability of past donations. Contributions receivable are written off when deemed uncollectible. Recoveries of contributions receivable previously written off are recorded when received. Contributions due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4%.

Property and Equipment

Buildings and related improvements, furniture, equipment and software are stated at cost and are depreciated using the straight-line method over their estimated useful lives, with no salvage value. The estimated useful lives used for depreciating fixed assets range from three to five years for furniture, equipment, and software, to 30 years for buildings. Building improvements are depreciated over the shorter of the remaining life of the building or the life of the improvements. Expenditures for major repairs and improvements are capitalized; conversely, expenditures for minor repairs and maintenance costs are expensed when incurred. All acquisitions greater than \$5,000 with expected useful lives greater than one year are capitalized.

Deferred Revenue

Deferred revenue represents revenue collected in advance for future services.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (CONTINUED)

Fair Value Measurements

Higher Achievement applies U.S. GAAP for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis.

In-kind Contributions

Donated services and goods are recorded at the estimated fair market value on the date of the receipt. Donated services are recognized in the financial statements at their fair value if the services require specialized skills and if they would typically need to be purchased if not donated. In-kind contributions for donated consulting and legal services were \$280,284 and \$279,175 for the years ended August 31, 2024 and 2023, respectively. In-kind contributions are reported in the statement of activities as both revenue and expense. If a donated asset is provided that does not allow Higher Achievement to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

Revenue Recognition

Higher Achievement recognizes all unconditional contributed support in the period in which the commitment is made. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released.

Revenue from government grants is recognized on the basis of allowable direct and indirect costs incurred. Revenue from government grants earned but not collected by year-end is included in grants and contribution receivable in the accompanying statement of financial position.

Income Taxes

Higher Achievement is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for federal income taxes has been recorded except as may be determined for unrelated business income.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination. Management evaluated Higher Achievement's tax position and concluded there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the guidance.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (CONTINUED)

Allocated Expenses

Direct costs associated with specific programs are recorded as program expenses. Administrative staff and staff working on multiple programs use time sheets to capture actual hours devoted to project areas.

Higher Achievement's policy is to allocate allocable general operating expenses and management expenses to certain programs based on the direct costs. Allocated management and general expenses not reimbursed by grant programs are borne by Higher Achievement.

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as payroll, fringe benefits and payroll taxes, consulting fees - in-kind, professional fees, information technology, dues and subscriptions, electronic equipment, insurance, cleaning, utilities and security, occupancy, special events, telephone, copying and printing, payroll processing fees, bank service fees, recognition, professional development, travel and training, job posting and background checks, meeting, licenses and fees, postage, office supplies, and promotional materials have been allocated among the program and supporting services based on level of effort.

Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with U.S. GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

The significant estimates affecting the financial statements include the estimated fair value of the in-kind professional volunteer services.

Higher Achievement participates in a number of federally assisted programs that are subject to financial and compliance audits by the federal agencies or their representatives. As such, there is a possibility that questioned costs might result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit for the current year costs.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (CONTINUED)

Liquidity and Availability of Assets

Higher Achievement maintains a liquid cash balance in checking and money market accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments.

Higher Achievement has secured a line of credit of up to \$600,000 to help manage cash flow. There was no borrowing during the year ended August 31, 2024.

Higher Achievement reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Restricted cash and investments are separately identified and monitored as part of the Higher Achievement's monthly financial reporting process.

Higher Achievement's financial assets available within one year to meet cash needs for general expenditures through August 31, 2025 are as follows:

Financial assets:

| | |
|---|----------------------------|
| Cash and cash equivalents | \$ 2,118,341 |
| Grants receivable, net of allowance for doubtful accounts | 982,377 |
| Pledges receivable, net | 1,148,220 |
| Investments | <u>1,781,651</u> |
| Total financial assets | 6,030,589 |
| Add: unused line of credit availability | 600,000 |
| Less: amounts not available within one year | |
| Restricted net assets | (2,393,163) |
| Board-designated net assets | <u>(1,548,534)</u> |
| Total financial assets available to meet cash needs for general expenditures within one year | <u><u>\$ 2,688,892</u></u> |

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)

2. CASH AND CASH EQUIVALENTS

Cash at August 31, 2024, and 2023 consisted of the following:

| | 2024 | 2023 |
|-------------------|---------------------|---------------------|
| Checking | \$ 1,754,373 | \$ 2,360,649 |
| Money market fund | 363,968 | 22,253 |
| | <u>\$ 2,118,341</u> | <u>\$ 2,382,902</u> |

Bank balances in a financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amounts in excess of the limit of the FDIC coverage as of August 31, 2024 and 2023 were \$561,362 and \$454,551, respectively.

3. GRANTS RECEIVABLE

Grants receivable as of August 31, 2024 and 2023 consisted of the following:

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Government grants and other | \$ 160,909 | \$ 219,007 |
| Corporation and individual contributions | 42,302 | 15,000 |
| Foundation grants | 779,167 | 217,736 |
| | <u>\$ 982,377</u> | <u>\$ 451,743</u> |

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of August 31, 2024 and 2023 consisted of the following:

| | 2024 | 2023 |
|--|---------------------|-------------------|
| Corporation and individual contributions | \$ 1,164,263 | \$ 719,159 |
| Less: discounts on pledges | (16,043) | (16,043) |
| | <u>\$ 1,148,220</u> | <u>\$ 703,116</u> |

Contributions receivable at August 31, 2024 and 2023 were due over the following periods:

| | 2024 | 2023 |
|----------------------------|---------------------|-------------------|
| Due in less than one year | \$ 802,020 | \$ 379,159 |
| Due in one to five years | 362,243 | 340,000 |
| Less: discounts on pledges | (16,043) | (16,043) |
| Total | <u>\$ 1,148,220</u> | <u>\$ 703,116</u> |

HIGHER ACHIEVEMENT PROGRAM, INC.**NOTES TO FINANCIAL STATEMENTS****August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)****5. PROPERTY AND EQUIPMENT**

Property and equipment as of August 31, 2024 and 2023 consisted of the following:

| | 2024 | | |
|-------------------------|---------------------|----------------------|--------------------------|
| | Cost | Depreciation Expense | Accumulated Depreciation |
| Land and building | \$ 2,561,054 | \$ 53,288 | \$ 867,755 |
| Property improvements | 633,137 | 20,665 | 223,912 |
| Software | 66,352 | - | 66,352 |
| Computers and equipment | 10,000 | - | 10,000 |
| Furniture | 87,478 | - | 87,478 |
| Scholar library | 2,442 | - | 2,442 |
| Closing costs | 27,931 | - | 27,931 |
| | <u>\$ 3,388,394</u> | <u>\$ 73,953</u> | <u>\$ 1,285,870</u> |

| | 2023 | | |
|-------------------------|---------------------|----------------------|--------------------------|
| | Cost | Depreciation Expense | Accumulated Depreciation |
| Land and building | \$ 2,561,054 | \$ 53,288 | \$ 814,465 |
| Property improvements | 633,137 | 20,666 | 203,248 |
| Software | 66,352 | - | 66,352 |
| Computers and equipment | 10,000 | - | 10,000 |
| Furniture | 87,478 | - | 87,479 |
| Scholar library | 2,442 | - | 2,442 |
| Closing costs | 27,931 | - | 27,931 |
| | <u>\$ 3,388,394</u> | <u>\$ 73,954</u> | <u>\$ 1,211,917</u> |

HIGHER ACHIEVEMENT PROGRAM, INC.**NOTES TO FINANCIAL STATEMENTS****August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)****6. INVESTMENTS**

Investments at August 31, 2024 and 2023 consisted of the following:

| | 2024 | | |
|----------------------|---------------------|---------------------|--|
| | Cost | Fair Value | Accumulated Unrealized gain/(loss) |
| Equities | \$ 11,958 | \$ 19,964 | \$ 8,006 |
| Mutual funds | | | |
| Small growth | 33,469 | 34,471 | 1,002 |
| Large Blend | 281,540 | 335,370 | 53,830 |
| Large Growth | 174,814 | 272,124 | 97,310 |
| Large Value | 326,598 | 411,749 | 85,151 |
| Medium value | 281,671 | 259,641 | (22,030) |
| Medium Blend | 121,777 | 103,022 | (18,755) |
| Short-term bond | 106,318 | 99,686 | (6,632) |
| Small value | 240,977 | 213,645 | (27,332) |
| Ultra short bond | 31,935 | 31,979 | 44 |
| | <u>\$ 1,611,057</u> | <u>\$ 1,781,651</u> | <u>\$ 170,594</u> |
| | 2023 | | |
| | Cost | Fair Value | Accumulated Unrealized gain/(loss) |
| Equity | \$ 59 | \$ 58 | \$ (1) |
| Mutual funds | | | |
| Foreign large value | 46,218 | 45,245 | (973) |
| Corporate bond | 117,415 | 102,807 | (14,608) |
| Foreign small growth | 32,495 | 32,169 | (326) |
| Large blend | 182,681 | 180,111 | (2,570) |
| Large growth | 318,652 | 372,166 | 53,514 |
| Large value | 200,620 | 221,214 | 20,594 |
| Medium value | 223,257 | 201,164 | (22,093) |
| Mid-cap growth | 119,636 | 94,022 | (25,614) |
| Mid-cap value | 102,408 | 87,245 | (15,163) |
| Short-term bond | 101,464 | 93,306 | (8,158) |
| Small value | 53,430 | 34,469 | (18,961) |
| Ultra short bond | 30,358 | 30,028 | (330) |
| | <u>\$ 1,528,693</u> | <u>\$ 1,494,004</u> | <u>\$ (34,689)</u> |

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)

6. INVESTMENTS (CONTINUED)

Investment income for the years ended August 31, 2024 and 2023 is comprised of:

| | 2024 | 2023 |
|------------------------------|-------------------|-------------------|
| Realized and unrealized gain | \$ 209,838 | \$ 23,753 |
| Interest and dividends | 72,974 | 107,799 |
| Less: investment expense | (12,159) | (10,621) |
| Total investment income | <u>\$ 270,653</u> | <u>\$ 120,931</u> |

7. FAIR VALUE MEASUREMENTS

Higher Achievement records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standard emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Higher Achievement's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets and liabilities.

HIGHER ACHIEVEMENT PROGRAM, INC.**NOTES TO FINANCIAL STATEMENTS****August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)****7. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of August 31, 2024 and 2023:

| | | 2024 | | |
|-------------------------|--|--------------|--------------|---------|
| | | Fair Value | Level 1 | |
| | | \$ | \$ | |
| Equities | | 19,964 | 19,964 | |
| Mutual funds | | | | |
| Small growth | | 34,471 | 34,471 | |
| Large Blend | | 335,370 | 335,370 | |
| Large Growth | | 272,124 | 272,124 | |
| Large Value | | 411,749 | 411,749 | |
| Medium value | | 259,641 | 259,641 | |
| Medium Blend | | 103,022 | 103,022 | |
| Short-term bond | | 99,686 | 99,686 | |
| Small value | | 213,645 | 213,645 | |
| Ultra short bond | | 31,979 | 31,979 | |
| | | | | |
| | | \$ 1,781,651 | \$ 1,781,651 | |
| | | | | |
| | | 2023 | | |
| | | Fair Value | Level 1 | Level 2 |
| | | \$ | \$ | \$ |
| Asset-backed securities | | 58 | - | 58 |
| Mutual funds | | | | |
| All-cap growth | | 45,245 | 45,245 | - |
| Corporate bond | | 102,807 | 102,807 | - |
| Foreign small growth | | 32,169 | 32,169 | - |
| Large blend | | 180,111 | 180,111 | - |
| Large growth | | 372,166 | 372,166 | - |
| Large value | | 221,214 | 221,214 | - |
| Medium value | | 201,164 | 201,164 | - |
| Mid-cap growth | | 94,022 | 94,022 | - |
| Mid-cap value | | 87,245 | 87,245 | - |
| Short-term bond | | 93,306 | 93,306 | - |
| Small blend | | 34,469 | 34,469 | - |
| Ultra short bond | | 30,028 | 30,028 | - |
| | | | | |
| | | \$ 1,494,004 | \$ 1,493,946 | \$ 58 |

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)

8. NOTE PAYABLE

Higher Achievement was awarded a capital grant from Freddie Mac in the amount of \$640,000 for the purchase of a new building in Washington DC. In May 2013, Higher Achievement also entered into a business loan agreement and executed a Promissory Note in the principal amount of \$800,000, with a maturity date of May 31, 2023.

The note required monthly payments of \$4,249 for 119 payments with a balloon payment of \$576,380 in 2023, and it is secured by the newly acquired building. Interest rate on the note is a variable 3.0% points over the Treasury Index, rounded to the nearest 0.125%. At no time will the interest be less than 4%.

On October 27, 2021, Higher Achievement further renegotiated the terms of the note payable to (1) extend the maturity date of note to May 31, 2028, (2) change the interest rate provision to 3.75% per annum computed on a 365/360 basis, and (3) change the payment terms to require 79 monthly payments of \$3,211.65 with an estimated balloon payment of \$512,949 on May 31, 2028, accordingly. The note agreement includes restrictive covenants. As of August 31, 2024, management believes Higher Achievement was in compliance with the covenants.

Estimated future principal payments due on the note are as follows:

| | |
|------------------------|--------------------------|
| Year Ending August 31, | |
| 2025 | \$ 17,008 |
| 2026 | 17,667 |
| 2027 | 18,350 |
| 2028 | <u>523,567</u> |
| | <u><u>\$ 576,592</u></u> |

The interest expense related to the note payable was \$22,318 and \$22,862 for the years ended August 31, 2024 and 2023, respectively.

9. LINE OF CREDIT

Higher Achievement has a \$600,000 line of credit secured by the property located at 1750 Columbia Road, with an open-ended maturity date. Bank advances on the credit line are payable on demand. The interest rate is 0.500 percentage points over U.S. Prime Rate, rounded up to the nearest 0.125 percent. Under no circumstances will the interest rate on this line of credit be less than 4.25% per annum.

For the year ended August 31, 2024, the interest rate was 9% and the unused line of credit was \$600,000. There was no outstanding balance on this line of credit as of August 31, 2024 and 2023 because no borrowing was made during both years. Thus, there was no interest expense for the years ended August 31, 2024 and 2023.

HIGHER ACHIEVEMENT PROGRAM, INC.**NOTES TO FINANCIAL STATEMENTS****August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)****10. NET ASSETS WITH DONOR RESTRICTION**

Net assets with donor restrictions as of August 31, 2024 and 2023 consisted of the following:

| | | 2024 | | |
|--|--|-------------------------------|------------------------|--|
| | | Balance August 31, 2023 | Support and Revenue | Net assets released from restriction |
| | | | | Balance August 31, 2024 |
| Program support and other Time restricted | | \$ 563,333 | \$ 2,700,413 | \$ 1,807,250 |
| | | 445,659 | 1,360,001 | 868,993 |
| Total | | <u>\$ 1,008,992</u> | <u>\$ 4,060,414</u> | <u>\$ 2,676,243</u> |
| | | | | |
| | | 2023 | | |
| | | Balance August 31, 2023 | Support and Revenue | Net assets released from restriction |
| | | | | Balance August 31, 2023 |
| Program support and other Time restricted | | \$ 1,360,500 | \$ 877,500 | \$ 1,674,667 |
| | | 1,026,000 | 150,000 | 730,341 |
| Total | | <u>\$ 2,386,500</u> | <u>\$ 1,027,500</u> | <u>\$ 2,405,008</u> |

11. NET ASSETS WITHOUT DONOR RESTRICTION - BOARD DESIGNATED

Board designated net assets without donor restrictions as of August 31, 2024 and 2023 consisted of the following:

| | | 2024 | | |
|------------------|--|-------------------------------|------------|-------------------------------|
| | | Balance August 31, 2023 | Additions | Releases |
| | | | | Balance August 31, 2024 |
| Board designated | | \$ 1,636,934 | \$ 211,600 | \$ 300,000 |
| | | | | \$ 1,548,534 |
| | | | | |
| | | 2023 | | |
| | | Balance August 31, 2023 | Additions | Releases |
| | | | | Balance August 31, 2023 |
| Board designated | | \$ 1,611,934 | \$ 25,000 | \$ - |
| | | | | \$ 1,636,934 |

During the year ended August 31, 2024, the board approved \$300,000 of releases from the designation. However, the amount has not been transferred nor has it been used by management in the normal operations of the Organization as of August 31, 2024.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)

12. SPECIAL EVENTS

Higher Achievement held an annual fundraising event in October 2023 and November 2022. The event activity reflected in the statement of activities was as follows:

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Corporate and individual contributions | <u>\$ 416,250</u> | <u>\$ 444,687</u> |

13. OPERATING LEASES

Higher Achievement entered into a lease agreement for office space in Baltimore, Maryland, which commenced on July 1, 2024, with an initial termination of June 30, 2027. The annual rental payments of \$33,744 include a provision for an annual 3% increase of base rent.

Future minimum lease payments under the lease are as follows:

For the fiscal year ended:

| | |
|------|------------------|
| 2025 | \$ 33,884 |
| 2026 | 34,731 |
| 2027 | <u>29,543</u> |
| | <u>\$ 98,158</u> |

Higher Achievement entered into a lease agreement for office space in Richmond, Virginia, which commenced on January 1, 2022 with an initial termination of December 31, 2026. The terms of the agreement require annual rental payments of \$34,535 for the first year and includes a provision for an annual 2% increase of base rent.

Future minimum lease payments under the lease are as follows:

For the fiscal year ended:

| | |
|------|------------------|
| 2025 | \$ 36,409 |
| 2026 | 37,137 |
| 2027 | <u>12,460</u> |
| | <u>\$ 86,006</u> |

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)

13. OPERATING LEASES (CONTINUED)

A reconciliation of the undiscounted cash payments to the operating lease liability for the year ended August 31, 2024 and 2023, respectively, is as follows:

| | 2024 | 2023 |
|---------------------------------|-------------------|-------------------|
| Undiscounted future cash flows | \$ 184,164 | \$ 148,482 |
| Less: discount to present value | (10,606) | (7,506) |
| Operating lease liability | <u>\$ 173,558</u> | <u>\$ 140,976</u> |

Quantitative disclosures related to leases for the year ended August 31, 2024 and 2023 are as follows:

| | 2024 | 2023 |
|---|------------------|------------------|
| Total lease cost: | | |
| Operating lease cost | <u>\$ 68,296</u> | <u>\$ 67,162</u> |
| Other information: | | |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash outflows from operating leases | \$ 68,100 | \$ 66,226 |
| Weighted-average remaining lease term - operating leases | 2.6 years | 2.9 years |
| Weighted-average discount rate - operating leases | 4.40% | 3.50% |

14. GIFTS-IN-KIND - DONATED SERVICES

Gifts-in-kind consist of pro bono consulting and legal services. Due to the nature of these nonfinancial assets, the services were all utilized in the period they were received and there were no donor restrictions imposed on them. Inputs used to measure the initial recognition of donated services consist of invoices generated by the contributing consulting or law firm, which are based on current market rates for the services incurred within the area the firm operates. For the years ended August 31, 2024 and 2023, donated services consisted of the following:

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Professional fees (supporting service) | | |
| Consulting and mentorship | \$ 199,003 | \$ 156,616 |
| Legal and business | 81,281 | 122,559 |
| Total | <u>\$ 280,284</u> | <u>\$ 279,175</u> |

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2024 (with Comparative Information as of and for the year ended August 31, 2023)

15. RETIREMENT PLAN

Higher Achievement has a 403(b) defined contribution plan that is available to all employees. Employees are eligible to participate in the plan immediately and employer contributions are made upon completion of two years of service. The plan requires an annual employer contribution of 5% of each eligible employee's earnings, as defined by the plan, and provides for a one-time matching contribution of up to \$3,000. For the years ended August 31, 2024 and August 31, 2023, Higher Achievement incurred estimated expenses of \$130,713 and \$116,727, respectively, related to this plan.

16. CONCENTRATIONS

Approximately 16% and 25% of Higher Achievement's revenue was derived from various grants and contracts awarded by agencies of the United States Department of Education and other governmental entities for the year ended August 31, 2024 and August 31, 2023, respectively. Higher Achievement has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future apart from the termination of an existing grant period. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect Higher Achievement's ability to finance ongoing operations.

17. SUBSEQUENT EVENTS

In preparing these financial statements, Higher Achievement has evaluated events and transactions for potential recognition or disclosure through July 18, 2025, the date the financial statements were available to be issued.